



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 01-0276036

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**THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE HOSEK UNIT, WELL NO. 1, EAGLEVILLE (EALGEFORD-1) FIELD, WILSON COUNTY**

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**HEARD BY:** Brian K. Fancher, P.G. - Technical Examiner  
Terry Johnson - Legal Examiner

**DATE OF HEARING:** June 01, 2012

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Doug Dashiell  
Ron Gasser

Clayton Williams Energy, Inc.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Clayton Williams Energy, Inc. ("CW") requests an exception to 16 TAC §3.32 to flare casing-head gas from its Hosek Unit, Well No. 1. All operators adjacent to the subject lease were notified of the subject hearing by Notice of Hearing dated June 01, 2012.

At the hearing, representatives of CW requested a permanent exception to flare casing-head gas from the subject well. The examiners opined it inappropriate to grant a permanent exception to 16 TAC §3.32 for the subject well and suggested a limitation of twelve months. CW did not consider the examiners opinion adverse to its application. The application was unopposed. The examiners recommend approval of the application, as modified.

**DISCUSSION OF THE EVIDENCE**

Title 16, §3.32 of the Texas Administrative Code governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. In the context of the subject application, CW requests to flare casinghead gas produced from the subject well, as prescribed in 16 TAC §3.32(h).



Specifically, 16 TAC §3.32(h) provides that an exception to flare natural gas in volumes greater than 50 thousand cubic feet of gas per day (“MCFGPD”) per well may be granted administratively for a period up to 180 days. Beyond that, 16 TAC §3.32(h)(4) stipulates that exceptions beyond the 180 days shall be granted only in a final order signed by the Commission.

CW seeks an exception 16 TAC §3.32 for twelve months beyond the 180-day administrative exception it obtained at a daily gas rate of 135 thousand cubic feet of gas per day (“MCFGPD”) for its Hosek Unit, Well No. 1. The subject well is completed in the Eagleville (Eagleford-1) Field and located in southwest Wilson County, Texas.

In support of its position, CW submitted an administrative permit (Permit No. 10731) to flare 250 MCFGPD of casinghead gas from the subject well, that went into effect October 20, 2011 and expired December 19, 2011. CW subsequently applied for and received two permit amendments to flare casinghead gas to flare 135 MCFGPD for an additional 120 days, ultimately expiring on April 29, 2012.

Beginning in November 2011, CW testified the subject well has produced a total of 20.9 million cubic feet of natural gas (“MMCF”). Currently, the subject well is producing casing-head gas at a rate of 115 MCFG per day.

CW submitted an aerial base map to show the subject well’s location with respect to nearby oil and gas producing wells. CW testified that the nearest marketable<sup>1</sup> location to the subject well is the Hunt Oil Company, Warnken Lease, Well No. 1H, located 7,850 feet to the east. The representative on behalf of CW testified that it is currently uneconomical to build a pipeline that would transport gas from the subject well to the Warken No. 1H. The examiners are of the opinion that it is inappropriate to recommend a permanent exception based solely on economical values, because of the price volatility of the natural gas market. Instead, the examiners recommend a maximum time of twelve months. CW accepts this recommendation and did not consider the examiners’ opinion adverse to its application.

CW submitted a production graph for its Hosek Unit, Well No. 1 that plots production versus time from 2011 through 2014. By extrapolating the production from the months in which the subject well has produced hydrocarbons, CW concluded the subject well has an Estimated Ultimate Recovery (“EUR”) of 500,000 barrels of oil equivalent (“BOE”) and 622 MMCFG. CW testified that as of May 2012 the subject well has produced 36,939 BOE and 20.9 MMCFG, thus awaiting to produce remaining recoverable reserves in the amount of approximately 460,000 BOE and 41.3 MMCFG.

Statewide Rule 32(h)(2) authorizes the Commission to administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days. As previously mentioned, CW applied

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<sup>1</sup> Marketable location is the nearest point to the subject well that transports natural gas produced by gas wells in the area.

for and received an administrative permit to flare casinghead gas from its subject well for a total of 180 days. CW testified it requires twelve months of additional time to flare casing-head gas in accordance with 16 TAC §3.32. CW testified the additional time is necessary so that it may better understand the economical value, if any, of performing the work to lay proper gas pipeline infrastructure to the nearest marketable location.

**FINDINGS OF FACT**

1. Proper notice of this hearing was given to all operators adjacent to the Clayton Williams Energy, Inc (“CW”), Hosek Unit at least ten days prior to the date of hearing. There were no protests to the application.
2. The Hosek Unit, Well No. 1 is completed in the Eagleville (Eagleford-1) Field in Wilson County, Texas.
3. Clayton Williams Energy, Inc. (“CW”) seeks an exception to 16 Texas Administrative Code (“TAC”) §3.32 to flare casing-head gas from the Hosek Unit, Well No 1H at a rate of 135 thousand cubic feet of natural gas per day (“MCFG”) for a period of twelve months.
3. The Hosek Unit, Well No. 1 will produce approximately 500,000 barrels of oil equivalent (“BOE”) and 62.2 million cubic feet of natural gas (“MMCFG”).
4. CW obtained an administrative permit from the Railroad Commission of Texas to flare casing-head gas from the Hosek Unit, Well No. 1 for a consecutive period of 180 days, beginning on October 20, 2011.
5. The 180-day administrative permit to flare casing-head gas from the Hosek Unit Well No. 1 expired on April 29, 2012.

**CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested authority pursuant to 16 TAC §3.32 will not harm correlative rights and will promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception to 16 TAC §3.32 for the Hosek Unit, Well No. 1 (API No. 42-493-32594) in the Eagleville (Eagleford-1) Field for twelve months.

Respectfully submitted,

  
Brian Fancher, P.G.  
Technical Examiner

  
Terry Johnson  
Legal Examiner